

**City of Rock Valley, Iowa  
Independent Auditor's Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings And Questioned Costs  
June 30, 2005**

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**City of Rock Valley, Iowa  
Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Kent Eknes	Mayor	Jan. 2008
Gerold Burgers	Mayor Pro-Tem	Jan. 2008
Dale Kooima	Council Member	Jan. 2006
Mark McGill	Council Member	Jan. 2008
Kevin Van Otterloo	Council Member	Jan. 2006
Chad Van Zee	Council Member	Jan. 2006
Tom Van Maanen	City Administrator/Treasurer	Indefinite
Judy Van't Hul	City Clerk	Indefinite
Maureen McGill Hoogeveen	City Attorney	Indefinite

**City of Rock Valley, Iowa**

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rock Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and the aggregate remaining fund information of the City of Rock Valley as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2005 on our consideration of the City of Rock Valley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on

internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Rock Valley's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Bruggen & Vande Vegte, P.C.

October 13, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Rock Valley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 55%, or approximately \$1,149,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$83,000 and there were bond and note proceeds issued of \$1,305,000.
- Disbursements increased 36%, or approximately \$882,000, in fiscal 2005 from fiscal 2004. Public safety and capital projects disbursements increased approximately \$240,000 and \$566,000, respectively, while debt service disbursements decreased approximately \$11,000.
- The City's total cash basis net assets decreased 14%, or approximately \$121,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$60,000 and the assets of the business type activities decreased by approximately \$61,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for water, sewer and garbage funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.



The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$483 thousand to \$423 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2005	2004
Receipts and transfers:		
Program receipts		
Charges for service	\$ 270	\$ 85
Operating grants, contributions and restricted interest	281	421
Capital grants, contributions and restricted interest	319	3
General receipts:		
Property tax	1,338	1,255
Local option sales tax	200	209
Grants and contributions not restricted to specific purposes	24	53
Unrestricted investment earnings	2	2
Bond proceeds	1,305	-
Other general receipts	78	20
Transfers, net	(570)	50
Total receipts and transfers	<u>\$ 3,247</u>	<u>\$ 2,098</u>
Disbursements:		
Public safety	\$ 571	\$ 331
Public works	212	356
Health and social services		
Culture and recreation	393	345
Community and economic development	609	246
General government	160	340
Debt service	320	331
Capital projects	1,042	476
Total disbursements	<u>\$ 3,307</u>	<u>\$ 2,425</u>
Increase (decrease) in cash basis net assets	(60)	(327)
Cash basis net assets beginning of year	483	810
Cash basis net assets end of year	<u>\$ 423</u>	<u>\$ 483</u>

The City's total receipts for governmental activities increased 54.8%, or \$1,149,000. The total cost of all programs and services increased by approximately \$882,000, or 36.4%, with no new programs added this year.

The City increased property tax rates for 2005 by an average of 0.06 percent. This slight increase and more importantly the increase in housing, commercial and industrial development raised the City's property tax receipts by approximately \$23,000 in 2005. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase next year.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2005	2004
Receipts:		
Program receipts		
Charge for service		
Water	\$ 340	\$ 343
Sewer	314	304
Garbage	129	123
Capital grants, contributions and restricted interest	125	-
General Receipts		
Unrestricted interest		
Bond proceeds		
Other general receipts		
Bond proceeds	-	3
Total receipts	<u>\$ 908</u>	<u>\$ 773</u>
Disbursements and transfers:		
Water	\$ 866	\$ 375
Sewer	549	254
Garbage	124	127
Transfers	(570)	50
Total disbursements	<u>\$ 969</u>	<u>\$ 806</u>
Increase (decrease) in cash basis	\$ (61)	\$ (33)
Cash basis net assets beginning of year	<u>403</u>	<u>436</u>
Cash basis net assets end of year	<u>\$ 342</u>	<u>\$ 403</u>
	=====	=====

## Debt Administration

At June 30, 2005, the City had approximately \$2,777,500 in bonds and other long-term debt, compared to approximately \$1,725,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year Ended June 30,	
	2005	2004
General obligation bonds and notes	\$ 2,697.5	\$ 1,625
Special assessment bonds and notes		
Urban renewal tax increment financing revenue bonds	80	100
Revenue notes		
Anticipatory warrants		
Total receipts	\$ 2,777.5	\$ 1,725
	=====	=====

Debt increased as a result of general obligation bonds and notes being issued in the past year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,777,500 is below its constitutional debt limit of \$5.7 million.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Judy Van't Hul, City Clerk, 1507 Main Street, Rock Valley, Iowa 51247.

**City of Rock Valley, Iowa**

## **Basic Financial Statements**

**City of Rock Valley, Iowa**  
**Statement of Activities and Net Assets – Cash Basis**  
**As of and for the year ended June 30, 2005**

		Program Receipts		
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements	Charges for Service		
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 570,793	\$ 34,898	\$ -	\$ -
Public works	211,566	-	224,660	-
Health and social services	-	7,680	-	-
Culture and recreation	392,464	58,575	-	5,570
Community and economic development	609,298	156,172	31,473	-
General government	160,388	12,592	24,991	-
Debt service	320,293	-	-	-
Capital projects	<u>1,041,728</u>	<u>-</u>	<u>-</u>	<u>314,076</u>
Total governmental activities	<u>\$3,306,530</u>	<u>\$ 269,917</u>	<u>\$ 281,124</u>	<u>\$ 319,646</u>
Business type activities:				
Water	\$ 865,709	\$ 339,221	\$ -	\$ 124,661
Sewer	548,817	313,430	-	-
Garbage	<u>124,232</u>	<u>129,240</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$1,538,758</u>	<u>\$ 781,891</u>	<u>\$ -</u>	<u>\$ 124,661</u>
Total	<u>\$4,845,288</u>	<u>\$1,051,808</u>	<u>\$ 281,124</u>	<u>\$ 444,307</u>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond and loan proceeds				

**City of Rock Valley, Iowa**  
**Statement of Activities and Net Assets – Cash Basis**  
**As of and for the year ended June 30, 2005**

<hr/> Net (Disbursements) Receipts and Changes in Cash Basis Net Assets <hr/>		
Governmental Activities	Business Type Activities	Total
<hr/>		
\$ (535,895)	\$ -	\$ (535,895)
13,094	-	13,094
7,680	-	7,680
(328,319)	-	(328,319)
(421,653)	-	(421,653)
(122,805)	-	(122,805)
(320,293)	-	(320,293)
<u>(727,652)</u>	<u>-</u>	<u>(727,652)</u>
 \$ (2,435,843)	 \$ -	 \$ (2,435,843)
 \$ -	 \$ (401,827)	 \$ (401,827)
-	(235,387)	(235,387)
-	5,008	5,008
<u>\$ -</u>	<u>\$ (632,206)</u>	<u>\$ (632,206)</u>
 \$ (2,435,843)	 \$ (632,206)	 \$ (3,068,049)
 \$ 485,303	 \$ -	 \$ 485,303
687,448	-	687,448
165,536	-	165,536
200,667	-	200,667
-	-	-
23,563	-	23,563
1,305,000	-	1,305,000

**City of Rock Valley, Iowa**  
**Statement of Activities and Net Assets – Cash Basis**  
**As of and for the year ended June 30, 2005**

	Program Receipts		
	Operating Grants,	Capital Grants,	Contributions,
	Contributions,	and Restricted	and Restricted
Disbursements	Charges for	Interest	Interest
	Service		
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

**Cash Basis Net Assets**

Restricted:  
 Streets  
 Urban renewal purposes  
 Debt service  
 Other purposes  
 Unrestricted

**Total cash basis net assets**

See notes to financial statements.



**City of Rock Valley, Iowa**  
**Statement of Activities and Net Assets – Cash Basis**  
**As of and for the year ended June 30, 2005**

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
74,287	-	74,287
4,075	964	5,039
<u>(570,000)</u>	<u>570,000</u>	<u>-</u>
\$ 2,375,879	\$ 570,964	\$2,946,843
\$ (59,964)	\$ (61,242)	\$ (121,206)
<u>483,245</u>	<u>403,152</u>	<u>886,397</u>
\$ 423,281	\$ 341,910	\$ 765,191
=====	=====	=====
\$ 167,173	\$ -	\$ 167,173
-	-	-
99,572	-	99,572
17,132	-	17,132
<u>139,404</u>	<u>341,910</u>	<u>481,314</u>
\$ 423,281	\$ 341,910	\$ 765,191
=====	=====	=====

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**And Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2005**

		Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
	General		
Receipts:			
Property tax	\$ 354,361	\$ -	\$ 12,064
Tax increment financing collections	-	-	-
Other city tax	4,282	-	-
Licenses and permits	2,905	-	-
Use of money and property	36,155	-	-
Intergovernmental	39,228	224,660	-
Charges for service	31,924	-	-
Special assessments	-	-	-
Miscellaneous	259,498	-	-
Total receipts	<u>\$ 728,353</u>	<u>\$ 224,660</u>	<u>\$ 12,064</u>
Disbursements:			
Operating:			
Public safety	\$ 324,522	\$ -	\$ -
Public works	-	211,566	-
Health and social services	-	-	-
Culture and recreation	371,950	-	-
Community and economic development	118,720	-	25,530
General government	131,553	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>\$ 946,745</u>	<u>\$ 211,566</u>	<u>\$ 25,530</u>
Excess of receipts over disbursements	<u>\$ (218,392)</u>	<u>\$ 13,094</u>	<u>\$ (13,466)</u>
Other financing sources (uses):			
Bond and loan proceeds	\$ -	\$ -	\$ -
Sale of capital assets	-	-	-
Operating transfers in	181,757	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>\$ 181,757</u>	<u>\$ -</u>	<u>\$ -</u>

## Exhibit B

Debt Service	Others Nonmajor Governmental Funds	Total
\$ 165,535	\$ 114,597	\$ 646,557
-	687,448	687,448
-	200,667	204,949
-	-	2,905
-	-	36,155
-	112,908	376,796
-	-	31,924
-	59,908	59,908
-	205,426	464,924
<u>\$ 165,535</u>	<u>\$ 1,380,954</u>	<u>\$ 2,511,566</u>
\$ -	\$ 246,271	\$ 570,793
-	-	211,566
-	-	-
-	20,514	392,464
-	465,048	609,298
-	28,835	160,388
320,293	-	320,293
-	1,041,728	1,041,728
<u>\$ 320,293</u>	<u>\$ 1,802,396</u>	<u>\$ 3,306,530</u>
<u>\$ (154,758)</u>	<u>\$ (421,442)</u>	<u>\$ (794,964)</u>
\$1,305,000	\$ -	\$ 1,305,000
-	-	-
44,799	859,020	1,085,576
(1,100,000)	(555,576)	(1,655,576)
<u>\$ 249,799</u>	<u>\$ 303,444</u>	<u>\$ 735,000</u>

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**And Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2005**

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Net change in cash balances	\$ (36,635)	\$ 13,094	\$ (13,466)
Cash balances beginning of year	<u>176,039</u>	<u>154,079</u>	<u>(105,216)</u>
Cash balances end of year	<u>\$ 139,404</u>	<u>\$ 167,173</u>	<u>\$ (118,682)</u>
	=====	=====	=====
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	139,404	-	-
Special revenue funds	-	167,173	(118,682)
Capital projects fund	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====
Total cash basis fund balances	\$ 139,404	\$ 167,173	\$ (118,682)
	=====	=====	=====

See notes to financial statements.

Exhibit B

Debt Service	Others Nonmajor Governmental Funds	Total
\$ 95,041	\$ (117,998)	\$ (59,964)
<u>4,531</u>	<u>\$ 253,812</u>	<u>\$ 483,245</u>
\$ 99,572	\$ 135,814	\$ 423,281
=====	=====	=====
\$ 99,572	\$ -	\$ 99,572
-	-	139,404
-	471,245	519,736
-	(335,431)	(335,431)
<u>-</u>	<u>-</u>	<u>-</u>
\$ 99,572	\$ 135,814	\$ 423,281
=====	=====	=====

**City of Rock Valley, Iowa**

**City of Rock Valley, Iowa**  
**Reconciliation of the Statement of Cash**  
**Receipts, Disbursements and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets –**  
**Governmental Funds**  
**As of and for the year ended June 30, 2005**

Total governmental funds cash balances (page 21)	\$ <u>423,281</u>
Cash basis net assets of governmental activities (page 17)	\$ 423,281 =====
Net change in cash balances (page 21)	\$ <u>(59,964)</u>
Change in cash balances of governmental activities (page 17)	\$ (59,964) =====

See notes to financial statements.

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**

Exhibit D

**As of and for the year ended June 30, 2005**

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating Receipts:				
Use of money and property	\$ 1,130	\$ -	\$ -	\$ 1,130
Charges for service	317,456	309,728	129,240	756,424
Miscellaneous	<u>21,599</u>	<u>3,702</u>	<u>-</u>	<u>25,301</u>
Total operating receipts	<u>\$ 340,185</u>	<u>\$ 313,430</u>	<u>\$ 129,240</u>	<u>\$ 782,855</u>
Operating disbursements:				
Governmental activities:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	<u>865,709</u>	<u>548,817</u>	<u>124,232</u>	<u>1,538,758</u>
Total operating disbursements	<u>\$ 865,709</u>	<u>\$ 548,817</u>	<u>\$ 124,232</u>	<u>\$ 1,538,758</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ (525,524)</u>	<u>\$ (235,387)</u>	<u>\$ 5,008</u>	<u>\$ (755,903)</u>
Non-operating receipts (disbursements):				
Intergovernmental	\$ 124,661	\$ -	\$ -	\$ 124,661
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
General obligation bond proceeds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ 124,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,661</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (400,863)</u>	<u>\$ (235,387)</u>	<u>\$ 5,008</u>	<u>\$ (631,242)</u>
Operating transfers in	\$ 350,000	\$ 250,000	\$ -	\$ 600,000
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>\$ 340,000</u>	<u>\$ 240,000</u>	<u>\$ (10,000)</u>	<u>\$ 570,000</u>
Net change in cash balances	<u>\$ (60,863)</u>	<u>\$ 4,613</u>	<u>\$ (4,992)</u>	<u>\$ (61,242)</u>
Cash balances beginning of year	<u>170,367</u>	<u>219,108</u>	<u>13,677</u>	<u>403,152</u>
Cash balances end of year	<u>\$ 109,504</u>	<u>\$ 223,721</u>	<u>\$ 8,685</u>	<u>\$ 341,910</u>
	=====	=====	=====	=====
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>109,504</u>	<u>223,721</u>	<u>8,685</u>	<u>341,910</u>
Total cash basis fund balances	<u>\$ 109,504</u>	<u>\$ 223,721</u>	<u>\$ 8,685</u>	<u>\$ 341,910</u>
	=====	=====	=====	=====

See notes to financial statements.



**City of Rock Valley, Iowa**  
**Reconciliation of the Statement of Cash**  
**Receipts, Disbursements and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets –**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2005**

Total enterprise funds cash balances (page 24)	\$ <u>341,910</u>
Cash basis net assets of business type activities (page 17)	\$ 341,910 =====
Net change in cash balances (page 24)	\$ <u>(61,242)</u>
Change in cash balances of business type activities (page 17)	\$ (61,242) =====

See notes to financial statements.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(1) Summary of Significant Accounting Policies**

The City of Rock Valley is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage collection for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Rock Valley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Rock Valley Economic Development Corporation, Northwest Iowa Landfill, Sioux County Revolving Loan Fund and Summer Recreation.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities for the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**B. Basis of Presentation (continued)**

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

**C. Measurement Focus and Basis of Accounting**

The City of Rock Valley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and capital projects.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(2) Cash and Pooled Investments (continued)**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 320,000	\$ 91,835	\$ 20,000	\$ 4,440	\$ 340,000	\$ 96,275
2007	325,000	81,770	20,000	3,330	345,000	85,100
2008	310,000	71,468	20,000	2,200	330,000	73,668
2009	275,000	61,336	20,000	1,110	295,000	62,446
2010 – 2014	1,320,000	159,383	0	0	1,320,000	159,383
2015 – 2019	147,500	5,460	0	0	147,500	5,460
Total	\$ 2,697,500	\$ 471,252	\$ 80,000	\$ 11,080	\$ 2,777,500	\$ 482,332
	=====	=====	=====	=====	=====	=====

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$34,233, \$33,038 and \$29,649, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 38,192
Sick Leave	<u>73,988</u>
Total	\$ 112,180 =====

This liability has been computed based on rates of pay as of June 30, 2005.

**(6) Landfill Contract**

The City of Rock Valley has contracted for solid waste disposal for all households or residences within the City. For the year ended June 30, 2005, \$120,959 was paid pursuant to the agreement.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(6) Landfill Contract** (continued)

The contract began January 1, 2004, and will terminate December 31, 2005. The agreement calls for the city to remit to the solid waste removal contractor the fees collected less thirty-five cents (.35) per monthly charge, which the City retains as a collection and handling fee. The contract allows for the solid waste removal contractor the opportunity to request an increase in rates semi-annually during the months of June and December. The City has the sole power to amend the monthly rates.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	TIF Fund	\$ 114,708
	Local Option Sales Tax	37,048
	Enterprise:	
	Water	10,000
	Sewer	10,000
	Garbage	10,000
	Capital Projects:	
	Eagle Avenue Project	10,303
	11 <sup>th</sup> Street Project	100,000
	19 <sup>th</sup> Avenue Project	20,000
Special Revenue:	Capital Projects:	
Local Housing Assistance Program	Southern Hills Phase II	32,074
	Prairie Meadows Project	18,834
	8 <sup>th</sup> Avenue Project	49,400
Debt Service Fund	Capital Projects:	
	Riverview Addition	25,650
	Back Nine Addition	10,332
	Special Revenue:	
	TIF Fund	8,817
Capital Projects:	Special Revenue:	
Eagle Avenue Project	Local Option Sales Tax	10,000
11 <sup>th</sup> Street Project		95,300
19 <sup>th</sup> Street Project		23,109
Enterprise:	Debt Service Fund	
Water		350,000
Sewer		250,000

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(7) Interfund Transfers (continued)**

Transfer to	Transfer from	Amount
Capital Projects:		
Eagle Avenue Project		346,836
Westview Drive Project		<u>153,164</u>
Total		\$ <u>1,685,575</u> =====

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$131,496 during the year ended June 30, 2005.

**(9) Lease Agreements**

The City of Rock Valley (lessee) on November 12, 1999 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2000 Sterling Truck with Amtech Rescue Body. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$13,336. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The City of Rock Valley (lessee) on June 29, 2005 entered into a nonmaintenance lease agreement with Peoples Bank, Rock Valley, Iowa (lessor) for the use of a 2005 Lifeline Ford Ambulance. The lessor grants to the City of Rock Valley the option to renew the lease agreement on an annual basis for a period of ten (10) years at an annual amount of \$8,589. The renewal option places no obligation or duty upon the City to renew the lease agreement.

The aggregate rental expense for the year ended June 30, 2005, is \$21,925.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City is exposed to an employee group medical insurance risk of the difference between a deductible of \$1,000 per insured and the fringe benefit of \$100 per employee with an estimated total risk of \$18,630.



**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(11) Deficit Fund Balance**

The Special Revenue Fund - Urban Renewal Tax Increment, Local Housing Assistance Program and Revolving Loan Fund; Capital Project Fund - Eagle Avenue Project, 300<sup>th</sup> Street Project, Westview Drive Project, 12<sup>th</sup> Street Phase I and Southern Hills Phase III had deficit balances of \$118,682, \$10,266, \$2,499, \$208,292, \$16,338, \$82,314, \$48,018 and \$12,729 respectively, at June 30, 2005. The deficit balance was a result of transfers and project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of transfers, street assessments and state grants.

**(12) Subsequent Events**

In August, 2005, the City issued \$800,000 of general obligation capital loan notes.

**(13) Community Economic Betterment Loans (CEBA)**

The City of Rock Valley (loan recipient) on October 21, 1999, entered into a Community Economic Betterment Forgivable Loan for \$37,500 and a three (3) percent loan for \$37,500 with the Department of Economic Development of the State of Iowa maturing April 1, 2005. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and a three (3) percent loan agreement with Valley Machining Co. (Borrower) with the CEBA loan amounts of \$37,500 each, maturing April 1, 2005.

The City of Rock Valley (loan recipient) on April 20, 2000, entered into a Community Economic Betterment two (2) percent loan for \$75,000 with the Department of Economic Development of the State of Iowa maturing November 1, 2006. The City of Rock Valley (Lender) then entered into a two (2) percent loan agreement with Kooima Company (Borrower) with the CEBA loan amount of \$75,000, maturing November 1, 2006.

The City of Rock Valley (loan recipient) on October 9, 2000, entered into State of Iowa Economic Development Set Aside Program Loan for \$50,000, of which \$25,000 is a two (2) year forgivable loan maturing May 30, 2002, and \$25,000 is a five (5) year Interest Free Loan maturing May 31, 2006. The City of Rock Valley then entered into a forgivable loan and an interest free loan with Quality Machine Products, Inc. with EDSA Program loan amounts of \$25,000 each, maturing May 30, 2002, and May 31, 2006, respectively.

The City of Rock Valley (loan recipient) on March 21, 2002, entered into a Community Economic Betterment Forgivable Loan for \$212,500 and an Interest Free Loan for \$212,500 with the Department of Economic Development of the State of Iowa maturing March 21, 2007. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and an interest free loan agreement with Total Component Solutions Corporation (Borrower) with the CEBA loan amounts of \$212,500 each, maturing March 21, 2007.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(13) Community Economic Betterment Loan (CEBA) (continued)**

The City of Rock Valley (loan recipient) on May 16, 2002, entered into a Community Economic Betterment Interest Free Loan for \$37,500 with the Department of Economic Development of the State of Iowa maturing May 16, 2007. The City of Rock Valley (Lender) then entered into an interest free loan agreement with Poly-Tin, Inc. (Borrower) with the CEBA loan amounts of \$37,500, maturing May 16, 2007.

The City of Rock Valley (loan recipient) on May 16, 2002, entered into a Community Economic Betterment Forgivable Loan of \$7,500 and an Interest Free Loan for \$30,000 with the Department of Economic Development of the State of Iowa maturing May 16, 2007. The City of Rock Valley (Lender) then entered into a forgivable loan agreement and an interest free loan agreement with Valley Industrial Powder Coating, Inc. (Borrower) with the CEBA loan amounts of \$7,500 and \$30,000, respectively, maturing May 16, 2007.

**(14) Construction Commitments**

The City of Rock Valley on August 19, 2002, entered into a contract for street and utility improvements (Southern Hills-Phase 2) in the amount of \$202,786. As of June 30, 2005, construction was continuing and total payments were made in the amount of \$141,771.

The City of Rock Valley on April 20, 2004, entered into a contract for Wastewater Treatment Plant River Diffuser in the amount of \$258,800. As of June 30, 2004, construction was continuing and total payments had been made in the amount of \$244,300.

The City of Rock Valley on April 28, 2004, entered into a contract for Water Distribution Systems Improvements and Well Finish Work for \$490,007 with subsequent change orders increasing the contract amount to \$493,059. As of June 30, 2005, construction was continuing and total payments had been made in the amount of \$442,282.

The City of Rock Valley on June 7, 2004, entered into a contract for street improvements (Eagle Avenue Project) in the amount of \$550,546. As of June 30, 2005, construction was continuing and total payments were made in the amount of \$482,221.

The City of Rock Valley on May 31, 2005, entered into a contract for concrete paving improvements (300<sup>th</sup> Street Project) in the amount of \$446,068. As of June 30, 2005, construction was continuing and no payments had been made.

The City of Rock Valley on September 23, 2004, entered into a contract for street improvements (Westview Drive Project) in the amount of \$210,077. As of June 30, 2005 construction was continuing and total payments were made in the amount of \$203,644.

**City of Rock Valley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2005**

**(14) Construction Commitments** (continued)

The City of Rock Valley on March 7, 2005, entered into a contract for street improvements (12<sup>th</sup> Street Phase I Project) in the amount of \$285,694, with subsequent change orders increasing the contract amount to \$290,134. As of June 30, 2005, construction was continuing and no payments have been made.

**(15) Grants**

The City of Rock Valley on May 20, 2004, received notification of acceptance of a RISE award in the amount of \$403,199 or up to 80 percent of the total cost of Eagle Avenue and Westview Drive. As of June 30, 2005, grant funds were received in the amount of \$112,908.

The City of Rock Valley on May 28, 2003, received notification of acceptance of a Community Development Block Grant (CDBG) in the amount of \$210,000 for development of a city water system. As of June 30, 2005, grant funds were received in the amount of \$124,661.

## **Required Supplementary Information**

**City of Rock Valley, Iowa**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances –**  
**Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2005**

	Governmental Proprietary		
	Funds	Funds	
	Actual	Actual	Total
Receipts:			
Property tax	\$ 646,557	\$ -	\$ 646,557
Tax increment financing collections	687,448	-	687,448
Other city tax	204,949	-	204,949
Licenses and permits	2,905	-	2,905
Use of money and property	36,155	1,130	37,285
Intergovernmental	376,796	124,661	501,457
Charges for service	31,924	756,424	788,348
Special assessments	59,908	-	59,908
Miscellaneous	464,924	25,301	490,225
Total receipts	<u>\$2,511,566</u>	<u>\$ 907,516</u>	<u>\$3,419,082</u>
Disbursements:			
Public safety	\$ 570,793	\$ -	\$ 570,793
Public works	211,566	-	211,566
Health and social services	-	-	-
Culture and recreation	392,464	-	392,464
Community and economic development	609,298	-	609,298
General government	160,388	-	160,388
Debt service	320,293	-	320,293
Capital projects	1,041,728	-	1,041,728
Business type activities	-	1,538,758	1,538,758
Total disbursements	<u>\$3,306,530</u>	<u>\$ 1,538,758</u>	<u>\$4,845,288</u>
Excess of receipts over disbursements	\$ (794,964)	\$ (631,242)	\$ (1,426,206)
Other financing sources, net	<u>735,000</u>	<u>570,000</u>	<u>1,305,000</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ (59,964)	\$ (61,242)	\$ (121,206)
Balance - beginning of year	<u>483,245</u>	<u>403,152</u>	<u>886,397</u>
Balance - end of year	<u>\$ 423,281</u>	<u>\$ 341,910</u>	<u>\$ 765,191</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 562,796	\$ 562,796	\$ 83,761
754,000	745,000	(57,552)
241,595	241,595	(36,646)
3,610	3,610	(705)
36,000	36,000	1,285
462,191	1,058,169	(556,712)
974,850	1,010,693	(222,345)
75,000	228,851	(168,943)
51,200	88,398	401,827
<u>\$3,161,242</u>	<u>\$ 3,975,112</u>	<u>\$ (556,030)</u>
\$ 323,981	\$ 563,926	\$ (6,867)
365,821	357,321	145,755
10,000	10,000	10,000
296,267	367,974	(24,490)
330,000	713,828	104,530
113,405	194,877	34,489
289,147	326,204	5,911
520,000	712,500	(329,228)
<u>1,427,403</u>	<u>1,629,720</u>	<u>90,962</u>
<u>\$3,676,024</u>	<u>\$ 4,876,350</u>	<u>\$ 31,062</u>
\$ (514,782)	\$ (901,238)	\$ (524,968)
<u>1,060,000</u>	<u>1,104,741</u>	<u>200,259</u>
\$ 545,218	\$ 203,503	\$ (324,709)
<u>886,397</u>	<u>886,397</u>	<u>-</u>
\$1,431,615	\$ 1,089,900	\$ (324,709)
=====	=====	=====

**City of Rock Valley, Iowa**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2005**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$1,200,326. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and capital projects functions.

## **Other Supplementary Information**



**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of the year ended June 30, 2005**

			Local Option Sales Tax	Special Local Housing Assistance Program
	TIF Fund	Employee Benefits		
Receipts:				
Property tax	\$ -	\$ 114,597	\$ -	\$ -
Tax increment financing collection	687,448	-	-	-
Other city tax	-	-	200,667	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	19,999
Total receipts	<u>\$ 687,448</u>	<u>\$ 114,597</u>	<u>\$ 200,667</u>	<u>\$ 19,999</u>
Disbursements:				
Operating:				
Public safety	\$ -	\$ 55,372	\$ -	\$ -
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	20,514	-	-
Community and economic development	212,263	-	10,402	163,583
General government	-	28,835	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$ 212,263</u>	<u>\$ 104,721</u>	<u>\$ 10,402</u>	<u>\$ 163,583</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 475,185</u>	<u>\$ 9,876</u>	<u>\$ 190,265</u>	<u>\$(143,584)</u>
Other financing uses:				
Operating transfers in (out)	<u>(253,828)</u>	<u>-</u>	<u>(165,458)</u>	<u>100,308</u>
Net change in cash balances	\$ 221,357	\$ 9,876	\$ 24,807	\$ (43,276)
Cash balances beginning of year	<u>230,763</u>	<u>16,092</u>	<u>172,014</u>	<u>33,010</u>
Cash balances end of year	<u>\$ 452,120</u>	<u>\$ 25,968</u>	<u>\$ 196,821</u>	<u>\$ (10,266)</u>

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

Revenue		Capital Projects					
RLF Firefighting Equipment	Revolving Loan Fund	Back Nine Addition	Rock Mills Improvements	Riverview Addition	19 <sup>th</sup> Avenue Project	Prairie Meadows Development	Westview Drive Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	19,389	-	-
-	44,167	22,750	48,000	18,010	\$ -	\$ 28,500	\$ -
-	\$ 44,167	\$ 22,750	\$ 48,000	\$ 18,010	\$ 19,389	\$ 28,500	\$ -
\$190,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	78,800	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,868	-	-	\$ 62,498	\$ 3,250	\$ 235,478
\$190,899	\$ 78,800	\$ 2,868	\$ -	\$ -	\$ 62,498	\$ 3,250	\$ 235,478
\$(190,899)	\$(34,633)	\$ 19,882	\$ 48,000	\$ 18,010	\$(43,109)	\$ 25,250	\$(235,478)
-	-	(10,332)	(49,400)	(25,650)	43,109	(18,834)	153,164
\$(190,899)	\$(34,633)	\$ 9,550	\$ (1,400)	\$ (7,640)	\$ -	\$ 6,416	\$ (82,314)
-	32,134	1,200	1,400	7,650	-	3,084	-
\$(190,899)	\$ (2,499)	\$ 10,750	\$ -	\$ 10	\$ -	\$ 9,500	\$ (82,314)
=====	=====	=====	=====	=====	=====	=====	=====

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

	Capital Projects			
	12 <sup>th</sup> Street Phase I Projects	300 <sup>th</sup> Street Project	Southern Hills Phase II	Southern Hills Phase III
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Tax increment financing collection	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	24,000	-
Total receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ -</u>
Disbursements:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	48,018	16,338	2,231	12,729
Total disbursements	<u>\$ 48,018</u>	<u>\$ 16,338</u>	<u>\$ 2,231</u>	<u>\$ 12,729</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (48,018)</u>	<u>\$ (16,338)</u>	<u>\$ 21,769</u>	<u>\$ (12,729)</u>
Other financing uses:				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(32,074)</u>	<u>-</u>
Net change in cash balances	\$ (48,018)	\$ (16,338)	\$ (10,305)	\$ (12,729)
Cash balances beginning of year	<u>-</u>	<u>-</u>	<u>22,305</u>	<u>-</u>
Cash balances end of year	<u>\$ (48,018)</u>	<u>\$ (16,338)</u>	<u>\$ 12,000</u>	<u>\$ (12,729)</u>

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

<u>Capital Projects</u>		
<u>11th Street</u>	<u>Eagle Avenue Project</u>	<u>Total</u>
\$ -	\$ -	\$ 114,597
-	-	687,448
-	-	200,667
-	-	-
-	112,908	112,908
35,519	5,000	59,908
-	-	205,426
<u>\$ 35,519</u>	<u>\$ 117,908</u>	<u>\$ 1,380,954</u>
\$ -	\$ -	\$ 246,271
-	-	-
-	-	-
-	-	20,514
-	-	465,048
-	-	28,835
-	-	-
<u>6,467</u>	<u>651,851</u>	<u>1,041,728</u>
<u>\$ 6,467</u>	<u>\$ 651,851</u>	<u>\$ 1,802,396</u>
<u>\$ 29,052</u>	<u>\$ (533,943)</u>	<u>\$ (421,442)</u>
<u>195,300</u>	<u>367,139</u>	<u>303,444</u>
\$ 224,352	\$ (166,804)	\$ (117,998)
<u>(224,352)</u>	<u>(41,488)</u>	<u>253,812</u>
\$ 0	\$(208,292)	\$ 135,814
=====	=====	=====

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

				Special
	TIF Fund	Employee Benefits	Local Option Sales Tax	Local Housing Assistance Program
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 452,120	\$ 25,968	\$ 196,821	\$ (10,266)
Capital project fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 452,120	\$ 25,968	\$ 196,821	\$ (10,266)
	=====	=====	=====	=====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

Revenue		Capital Projects					
RLF Firefighting Equipment	Revolving Loan Fund	Back Nine Addition	Rock Mills Improvements	Riverview Addition	19 <sup>th</sup> Avenue Project	Prairie Meadows Development	Westview Drive Project
\$(190,899)	\$ (2,499)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	10,750	-	10	-	9,500	(82,314)
-	-	-	-	-	-	-	-
\$(190,899)	\$ (2,499)	\$ 10,750	\$ -	\$ 10	\$ -	\$ 9,500	\$ (82,314)
=====	=====	=====	=====	=====	=====	=====	=====

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

	Capital Projects			
	12 <sup>th</sup> Street Phase I Project	300 <sup>th</sup> Street Project	Southern Hills Phase II	Southern Hills Phase III
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ -	\$ -	\$ -	\$ -
Capital project fund	(48,018)	(16,338)	12,000	(12,729)
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ (48,018)</u>	<u>\$ (16,338)</u>	<u>\$ 12,000</u>	<u>\$ (12,729)</u>

See accompanying independent auditor's report.

**City of Rock Valley, Iowa**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2005**

<u>Capital Projects</u>		
<u>11<sup>th</sup> Street</u>	<u>Eagle Avenue Project</u>	<u>Total</u>
\$ -	\$ -	\$ 471,245
-	(208,292)	(335,431)
<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ (208,292)	\$ 135,814
=====	=====	=====



**City of Rock Valley, Iowa  
Statement of Indebtedness  
Year Ended June 30, 2005**

<b>Obligation</b>	<b>Date of Issue</b>	<b>Interest Rates</b>
General Obligation Notes:		
G.O. Fire Fighting Equipment Notes	Oct. 11, 1904	0.00%
G.O. Capital Loan Notes – Series 2005	Oct. 1, 2004	2.00-3.90%
G.O. Capital Loan Notes – Series 2002	July 1, 2002	2.00-4.25%
G.O. Capital Loan Notes – E. 16 <sup>th</sup> /W. 17 <sup>th</sup> Street Project	April 1, 2001	4.70%
G.O. Capital Loan Notes – 10 <sup>th</sup> Avenue 1995 Street Project	Mar. 1, 1996	4.10-5.00%
G.O. Capital Loan Notes – W. 15 <sup>th</sup> Street Project 1997 Street Project	April 1, 1997	4.75-5.50%
G.O. Capital Loan Notes – E. 15 <sup>th</sup> Street Project 1998 Street Project	Jan. 1, 1998	4.50-5.00%
Urban Renewal Tax Increment Financing Revenue Bonds		
Urban Renewal Tax Increment (TIF)	July 30, 1999	5.55%
Total		

See accompanying independent auditor's report.

## Schedule 2

<b>Amount Originally Issued</b>	<b>Balance Beginning Of Year</b>	<b>Issued During Year</b>	<b>Redeemed During Year</b>	<b>Balance End Of Year</b>	<b>Interest Paid</b>	<b>Interest Due and Unpaid</b>
\$ 150,000	\$ 0	\$ 150,000	\$ 7,500	\$ 142,500	\$ 0	\$ 0
1,155,000	0	1,155,000	0	1,155,000	23,645	0
1,415,000	1,250,000	0	145,000	1,105,000	45,660	0
175,000	135,000	0	15,000	120,000	6,345	0
180,000	60,000	0	20,000	40,000	2,920	0
200,000	80,000	0	20,000	60,000	4,310	0
250,000	<u>100,000</u>	<u>0</u>	<u>25,000</u>	<u>75,000</u>	<u>4,912</u>	<u>0</u>
	\$ 1,625,000	\$1,305,000	\$ 232,500	\$ 2,697,500	\$ 87,792	\$ 0
	=====	=====	=====	=====	=====	=====
\$ 200,000	\$ 100,000	\$ 0	\$ 20,000	\$ 80,000	\$ 5,530	\$ 0
	=====	=====	=====	=====	=====	=====

**City of Rock Valley, Iowa  
Bond and Note Maturities  
June 30, 2005**

**General Obligation Notes**

Year Ending June 30	<u>Series 2005</u> <u>Issued Oct. 1, 2005</u>		<u>Series 2002</u> <u>Issued July 1, 2002</u>		<u>Fire Fighting Equipment</u> <u>Issued Oct. 11, 2004</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2006	2.00%	\$ 75,000	3.00%	\$ 145,000	0.00%	\$ 15,000
2007	2.10	105,000	3.20	120,000	0.00	15,000
2008	2.35	105,000	3.50	125,000	0.00	15,000
2009	2.65	110,000	3.75	130,000	0.00	15,000
2010	3.00	115,000	4.00	135,000	0.00	15,000
2011	3.25	120,000	4.10	145,000	0.00	15,000
2012	3.40	125,000	4.20	150,000	0.00	15,000
2013	3.55	125,000	4.25	155,000	0.00	15,000
2014	3.70	135,000		0	0.00	15,000
2015	3.90	<u>140,000</u>		<u>0</u>	0.00	<u>7,500</u>
Total		\$1,155,000 =====		\$ 1,105,000 =====		\$ 142,500 =====

**Revenue Bonds**

<u>Urban Renewal Tax Increment (TIF)</u>			
Year Ending June 30	<u>Issued July 30, 1999</u>		
	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2006	5.5%	\$ 20,000	\$ 20,000
2007	5.5	20,000	20,000
2008	5.5	20,000	20,000
2009	5.5	<u>20,000</u>	<u>20,000</u>
		\$ 80,000 =====	\$ 80,000 =====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa**  
**Bond and Note Maturities**  
**June 30, 2005**

**General Obligation Notes**

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Year Ending June 30	<u>Capital Loan Notes</u> <u>10th Avenue</u> <u>Issued March 1, 1996</u>		<u>Capital Loan Notes</u> <u>E. 16th Street</u> <u>Issued April 1, 2001</u>	
	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2006	4.90%	\$ 20,000	4.70%	\$ 20,000
2007	5.00	20,000	4.70	20,000
2008		-	4.70	20,000
2009		-	4.70	20,000
2010		-	4.70	20,000
2011		-	4.70	20,000
2012		-		-
2013		-		-
2014		-		-
2015		-		-
2016		-		-
Total		\$ 40,000		\$ 120,000
		=====		=====

**City of Rock Valley, Iowa**  
**Bonds and Note Maturities**  
**June 30, 2005**

**General Obligation Notes**

Year Ending June 30	<u>Capital Loan Notes</u> <u>W. 15th Street</u> <u>Issued April 1, 1997</u>		<u>Capital Loan Notes</u> <u>E. 15th Street</u> <u>Issued Jan 1, 1998</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
2006	5.35%	\$ 20,000	4.90%	\$ 25,000	\$ 320,000
2007	5.40	20,000	4.95	25,000	325,000
2008	5.50	20,000	5.00	25,000	310,000
2009					275,000
2010					285,000
2011					300,000
2012					290,000
2013					295,000
2014					150,000
2015					147,500
Total		\$ 60,000		\$ 75,000	\$ 2,697,500

See accompanying independent auditor's report.

**City of Rock Valley, Iowa**  
**Schedule of Receipts By Source and Disbursements By Function**  
**All Government Funds**  
**For The Last Four Years**

	2005	2004	2003	2002
Receipts:				
Property tax	\$ 646,557	\$ 593,935	\$ 581,900	\$ 560,188
Tax increment financing collections	687,448	617,364	555,881	464,390
Other city tax	204,949	252,438	232,056	236,247
Licenses and permits	2,905	3,445	3,570	3,265
Use of money and property	36,155	29,892	42,752	61,467
Intergovernmental	376,796	273,351	810,008	415,996
Charges for service	31,924	24,625	26,546	24,632
Special assessments	59,908	9,040	18,565	96,401
Miscellaneous	<u>464,924</u>	<u>244,153</u>	<u>206,883</u>	<u>141,810</u>
Total	\$ 2,511,566 =====	\$ 2,048,243 =====	\$ 2,478,161 =====	\$ 2,004,396 =====
Disbursements:				
Operating:				
Public safety	\$ 570,793	\$ 330,525	\$ 293,409	\$ 358,976
Public works	211,566	356,669	342,886	370,220
Health and social services	-	-	-	-
Culture and recreation	392,464	345,024	304,200	318,530
Community and economic development	609,298	245,415	606,555	75,986
General government	160,388	339,724	224,525	181,081
Debt service	320,293	331,179	408,670	347,027
Capital projects	<u>1,041,728</u>	<u>476,117</u>	<u>1,468,405</u>	<u>916,409</u>
Total	\$ 3,306,530 =====	\$ 2,424,653 =====	\$ 3,648,650 =====	\$ 2,568,229 =====

See accompanying independent auditor's report.

**City of Rock Valley, Iowa**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and the aggregate remaining fund information of the City of Rock Valley, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 13, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rock Valley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Rock Valley's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by an error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rock Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Rock Valley and other parties to whom the City of Rock Valley may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.

October 13, 2005

**City of Rock Valley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Rock Valley did qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

Instances of Non-Compliance:

No matters were noted.

Reportable Conditions:

- II-A-05    Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the handling of cash and numerous recordkeeping functions are not entirely separated among employees.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. An independent person could be used to regularly approve time sheets, check paychecks for accuracy, verify vacation and sick leave, examine employee expense reimbursements, and periodically examine investments.

Response – We will investigate this within economic constraints.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and also through utilizing administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-05    Independent Contractor 1099 Issuance – IRS Form 1099's were not issued to rental landowners or independent contractors/laborers.

**City of Rock Valley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**Part II: Findings Related to the Financial Statements:** (continued)

Recommendation – IRS Form 1099 needs to be issued on a calendar basis to rental landowners, including strip landowners paid \$600 or more. Independent contractors/laborers paid \$600 or more during the calendar year should also be issued 1099's.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

II-C-05    Capital Assets Record – A complete record of capital assets is not maintained.

Recommendation – To facilitate the proper insurance, maintenance and safeguarding of these assets, such records should be established. An inventory of all property and equipment should be taken by an independent person at least once a year and compared against capital assets records.

Response – We will work on implementing this recommendation.

Conclusion – Response accepted. Please make an effort to work on this.

II-D-05    Countersignature of Checks

Recommendation – In order to provide an additional control, checks should be prepared and signed by one individual and then the supporting vouchers and invoices should be made available along with the checks to the second individual for review and countersignature.

Response – We will consider this recommendation.

Conclusion – Response accepted. As having dual check signers adds an important additional control, we strongly recommend that the City does consider this. Procedures could be established to account for the situation when it is not feasible to have two check signers.

II-E-05    Payroll Time Sheets/Time Cards – The City does not have a uniform policy on time sheets or time cards for all employees. Payroll time sheets/time cards are not always being signed/formally approved by the employee's supervisor. Payroll time cards are allowed to be hand written at times, instead of exclusively using the time clock and no formal approval was noted by the supervisor on the time card.

**City of Rock Valley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**Part II: Findings Related to the Financial Statements:** (continued)

Recommendation – The City should consider the need to require all City personnel to prepare daily time sheets or time cards. Payroll time sheets or time cards should be signed by the employee's supervisor to attest to the accuracy of hours worked. If payroll time cards contain hand written check in/out times, the accuracy of the time written should specifically be approved in writing by the supervisor immediately.

Response – We will address this issue in an appropriate manner. We will attempt to monitor payroll procedures more closely.

Conclusion – Response accepted. It is important that this issue be addressed.

**Part III: Other Findings Related to Statutory Reporting:**

III-A-04      Official Depositories – A resolution naming official depository banks has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-04      Certified Budget – Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public safety, culture and recreation and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-04      Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.

**City of Rock Valley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**Part III: Other Findings Related to Statutory Reporting:** (continued)

- III-E-04     Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Kevin Van Otterloo, council member shareholder, Van's Food Pride	materials	\$ 2,153
Chad Van Zee, council member shareholder, Rock Valley Cement, Block, & Tile, Inc. Tri State Ready Mix, Inc. Valley Sand & Gravel, Inc.	materials	129,343

In accordance with Chapter 362.5 (10) of the Code of Iowa, the transactions with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year or the transaction with a council member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

- III-F-04     Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-04     Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- III-H-04     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy
- III-I-04     Revenue Bonds - The special Revenue Fund, TIF Fund, had a positive balance as of June 30, 2005.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rock Valley, Iowa during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.

October 13, 2005